SFDR Regulation

1. Policy relating to “Sustainability Risks”

Within ABC arbitrage Asset Management SA (hereinafter "ABAM") investment Committee plays a central role in the investment and divestment process for financial instruments. An investment committee can be organized within the framework of a specific operation aiming to adapt the positions following specific opportunities or risks encountered in order to guarantee the adaptability of the limits to a given context and the consistency in considering risks on all strategies. A specific risk in relation to sustainability matters could arise that could impact an issuer and thus the financial instrument on which a position is taken or may be taken. More generally, exogenous risks including environmental, social risks or those related to governance issues are taken into account in the risk mapping.

In particular, three types of extra-financial risks need to be considered to ensure long-term resilience:

- Physical risk (which refers to losses due to climate change or environmental degradation, for example as a result of extreme events or loss of biodiversity and deforestation),
- Transition risk (which refers to financial losses linked to the transition process, for example as a result of the adoption of climate and environmental policies or changes in market preferences),
- Reputational or litigation risk (which refers to damage to a company's reputation or liability for ESG issues).

Physical and transition risks are, for the most part, not applicable to assets managed by ABAM, given the very short life cycle of alternative strategies (positions and exposures are typically opened for extremely brief periods). Reputational and litigation risks related to legal, tax and ethical considerations are taken into account by the Investment committee.

Extra-financial factors also increase the complexity of traditional financial risks (counterparty, market, liquidity, operational, data-related, technology-related risks, etc.). Consequently, the way these risks are managed will need to continue to evolve.

Besides, ABAM does not trade in countries that are the most at risk in terms of corruption, money laundering and terrorist financing. It uses public lists from the Financial Action Task Force (FATF), the global anti-money laundering and anti-terrorist financing watchdog, which identifies jurisdictions with weak anti-money laundering and anti-terrorist financing (AML/CFT) measures. It also uses Transparency International's Corruption Perceptions Index (CPI), which ranks countries according to perceived levels of public sector corruption. For countries with a better ranking but still at risk of corruption, money laundering and terrorist financing, an alert is sent to the Investment Committee, which has the ultimate responsibility for deciding whether to continue trading in the country. Besides, for each new country in which it intends to trade, ESG information, such as severe geopolitical risks, AML-FT risks, corruption, Human Development Index (HDI) are included in the analysis.

Finally, better incorporating long-term impacts, risks and opportunities into risk management is an important step towards achieving sustainability and responsible business practices. ABAM would like to explore this topic further.

2. Not taking into account the "principal adverse impacts" (PAI)

ABAM develops alternative strategies using quantitative and systematic models, and operates on the main global listed markets. The investment strategies implemented are a combination of several operations whose aim is to make a profit by taking advantage of the imperfections likely to appear between different financial markets. They therefore accelerate price convergence for identical and similar assets, participate in fair price discovery and fluidity between different markets and provide liquidity. This maintains absolute neutrality in the selection of securities, which are processed via a quantitative and systematic intervention method based on the detection of market inconsistencies. Although its core role is to supply liquidity to financial markets rather than invest in the traditional sense, ABAM wants to further incorporate these considerations into its "investment" decisions to assess the contribution of its activities and foster positive outcomes on these issues.

This commitment aligns with its mission to embody the Group's motto "Positive Finance" and with its wider corporate responsibility policy (see ABC arbitrage's CSR report), which focuses on three main areas:

- Dynamic management of recruitment and support for its employees, its primary asset, in order to foster their professional development and fulfillment. The Group also relies on an incentive-based compensation policy that associates each employee with its performance and results. While the Group's business is international by nature, it is also committed to maintaining a strong presence in France, out of conviction..
- Seek for diversity and inclusion in all its forms, in this quest to develop talent and make the most of all personalities and skills. Particular attention is paid to gender equality issues, given the specific characteristics of the finance and digital sectors.
- The desire to take environmental aspects into account in all decisions. The Group strives to reduce its direct impact on the environment through a variety of initiatives, and is committed to raising awareness of environmental issues among its employees and stakeholders. Measuring the Group's carbon footprint, in order to identify the most relevant levers for action, is an integral part of this approach.

However, regarding ABAM, the traditional pillars and principles of responsible investing are not necessarily relevant to strategies driven by quantitative and systematic models that seek short term alpha. Because these models can shift exposures very quickly and over very brief cycles, long-horizon metrics typically used to assess sustainability can lose their relevance.There is a need to be creative and to come up with approaches that let ABAM supply liquidity to global markets, safeguard capital and still give full weight to relevant extra-financial sustainability considerations to contribute to a fair transition by bringing its expertise and creating new solutions to genuinely embed durability factors within systematic and quantitative strategies.

Pursuant to Article 4(1)(b) of Regulation (EU) 2019/2088, known as SFDR, ABAM does not currently take into account the principal adverse impacts (PAI) of its investment decisions on sustainability factors, due to the nature of its activities and its size. This position may be reassessed in the future and ABAM is assessing the possible means to integrate ESG criteria into its strategies. To meet these challenges, significant resources have been allocated to the subject and strong governance has been set up. The Board of Directors has mandated the Responsible Investment Committee (RIC) to address matters related to responsible investment and is informed of significant developments.

In the medium term, ABAM aims to expand its exclusion list and ESG dashboard, track the evolution over time of its portfolio's greenhouse-gas (GHG) metrics, and carry out research and development to map responsible investment approaches to hedge fund strategies as well on ESG-related risk management and alpha generation. Much of this work is already underway.

As regards greenhouse gas metrics, ABC arbitrage Group has been measuring its carbon footprint since 2021. Emissions linked to ABC arbitrage Group ABC Arbitrage's activity has been calculated to the highest methodological standards, with particular emphasis on the following points: it covers all scopes (1, 2 and 3) and all sites in which the Group operates, with the most up-to-date emission factors and monetary ratios. Uncertainty levels have been assessed for the various emissions items.
To complement this work, ABAM has voluntarily chosen to publish portfolio-level greenhouse-gas (GHG) metrics for 2024 along with exclusions, data gaps and methodological trade-offs in its Responsible Investment Policy.

3. Remuneration

As stated in § 2, the investment strategies implemented by ABC arbitrage Asset Management SA are a combination of several operations whose aim is to make a profit by taking advantage of the imperfections likely to appear between different financial markets. This method maintains absolute neutrality in the selection of securities, which are processed via a quantitative and systematic intervention method based on the detection of market inconsistencies. Due to this neutrality in the selection of products processed, taking into account sustainability risks is not relevant to the remuneration policy of ABC arbitrage Asset Management SA. The remuneration policy implemented within ABC arbitrage Asset Management SA does not encourage or discourage the inclusion of sustainability risks in investment decision-making processes.